

Internal Revenue Service
District Director

Department of the Treasury

Person To Contact:

Telephone Number:

Employer ID Number:

File Folder Number:

Date: JAN 13 1992

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Sir or Madam:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The application submitted, indicates you are an organization of furniture and accessory showroom managers, incorporated on [REDACTED] in the State of [REDACTED]. No other organizational document has been provided evidencing an adoption date preceding the date the Articles of Incorporation were filed with the Secretary of State of [REDACTED].

The application does state however, that you are a continuation of [REDACTED] which was not incorporated. The association began in [REDACTED].

Your members meet on a regular basis to discuss ways in which to encourage designers, architects, and specifiers to travel to [REDACTED] between the Spring and Fall Markets to shop for home furnishings. Additionally, a "[REDACTED]" is held once a year to bring designers together for seminars, shopping and lunch. In conjunction with the "[REDACTED]" event, is an auction. Participating showrooms donate furnishings to be auctioned with proceeds going to you.

Each year, a brochure is mailed out to make designers aware of the showrooms that are open in the [REDACTED] area. Only those showrooms whose managers are members appear in the brochures. It is also stated that magazine advertisements are used to promote the use of showrooms in the area.

[REDACTED]

A brochure bearing the name "[REDACTED]" accompanied your application for Recognition of Exemption Under Section 501(c)(3). The brochure is dated "[REDACTED]" and lists each organization whose manager is a member of your organization: by location, phone number, hours and classification. A reference guide for showroom classifications is also provided in the brochure. The brochure informs the reader that unless otherwise noted, the showrooms are open from 9 a.m. until 5 p.m., Monday through Friday; and that, "Access to Association showrooms is limited to designers and their clients."

In our letter dated July 10, 1991, we requested that copies of all ads taken on your behalf for the year be provided including the name of the publication in which the ad appeared, the frequency of appearance and the cost.

In your response dated [REDACTED], it is stated that you made expenditures of \$[REDACTED] and \$[REDACTED] to [REDACTED] for magazine advertisements appearing in the [REDACTED] and [REDACTED] issues of "[REDACTED]" magazine. Additionally, a \$[REDACTED] expenditure was made for an advertisement in [REDACTED].

The advertisement appearing in "[REDACTED]" appears to have a corresponding mail in response card, in that at the bottom of the ad, "[REDACTED]" is printed. This same ad lists these showrooms which are open year round to interior designers, architects, and specifiers.

In our letters of [REDACTED] and [REDACTED] we asked that a schedule of the members who participated in the [REDACTED] events be provided. He stated that the schedule should reflect the dollar amount of sales made by each member at the event, as well as the annual sales for each member. Your responses of [REDACTED] and [REDACTED] appear to contradict each other, with regards to member participation in the [REDACTED] events. Furthermore, inadequate specificity is provided with regards to the sales amounts for [REDACTED], [REDACTED] and [REDACTED].

In our [REDACTED] letter, we stated that it appeared that the primary purpose for which you operate is to advertise the existence of the members' showrooms through the various ads taken, and as such your primary purpose is to provide particular services. Your [REDACTED] response, states in part, that your purposes are to promote the continued opening of showrooms in [REDACTED] on a year round basis; and to coordinate business hours, sales policies, restriction of retail sales and special sale events so that it is easier for designers to use the showrooms on a more frequent basis.

An analysis of the financial data provided for the last four years indicates that more than [REDACTED] percent of the expenses incurred were for [REDACTED] brochures and publicity. Receipts for the same period were from auction

proceeds, membership dues, grants, [REDACTED] registration and interest income. The fact that more than [REDACTED] percent of the expenses incurred were for promotional purposes indicates that the primary purpose for which you operate is to perform particular services for your members.

Section 501(c)(6) of the Code provides for the exemption from federal income tax of business leagues, chambers of commerce, real-estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, as follows:

A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

In Evanston-North Shore Board of Realtors v. United States, 320 F. 2d 375 (1963), the U.S. Court of Claims held that the operation of the organization's multiple listing system cannot be regarded as directed to the improvement of business conditions in the real estate market within the meaning of the regulations, but rather constitutes the performance of a particular service for brokers participating in the service. In reaching this conclusion, the Court noted the particularly compelling analogy between the operation of a multiple listing service and of a stock or commodity exchange, both of which are a means of bringing buyers and sellers together to facilitate the sale of property.

Rev. Rul. 68-264, 1968-1 C.B. 264 defines a particular service for the purposes of section 501(c)(6) of the Code as an activity that serves as a convenience or an economy to the members of the organization in the operation of their own businesses.

[REDACTED]

Rev. Rul. 65-14. 1965-1 C.B. 236 held that where the principal activity of an organization is publication of advertising materials for its members, it does not qualify for exemption under IRC 501(c)(6) since such publication constitutes particular services.

Based on the foregoing, we conclude that the primary purpose for which you are organized and operated is to provide particular services to your members through advertising the locations, phone numbers, hours and classifications of those businesses whose managers are members of your organization.

You do not qualify for recognition of exemption from Federal income tax under section 501(c)(6) or any other section of the Code.

You are required to file Federal income tax returns on Form 1120.

If you do not agree with our proposed denial, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law, and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional office or, if you request, at any mutually convenient District Office.

If we do not hear from you within 30 days, this letter will become our final determination.

Sincerely yours,
[REDACTED]

[REDACTED]
District Director

Enclosure:
Publication 892